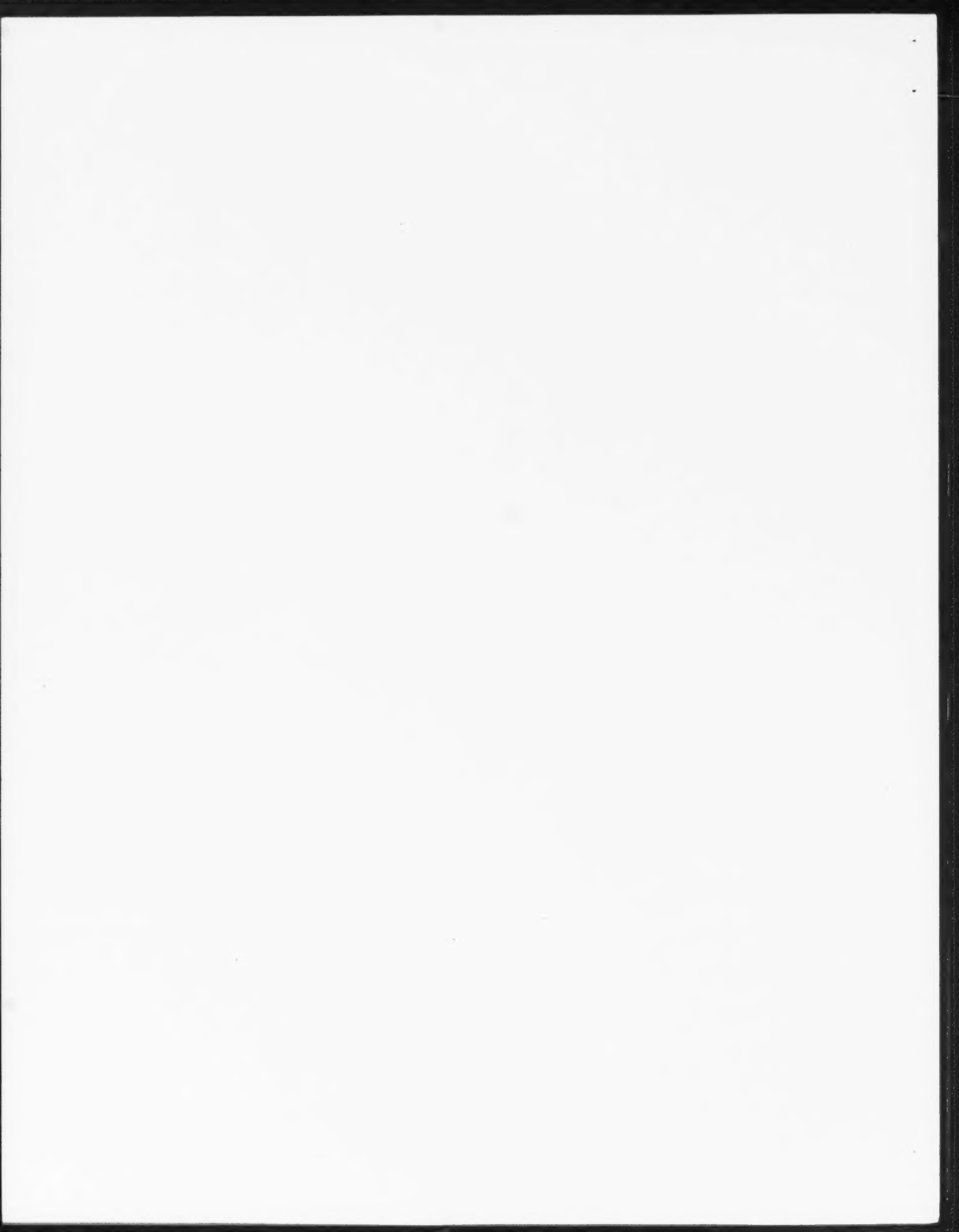


Ontario Mortgage Corporation

2009/10

Annual Report



**Minister of Municipal Affairs
and Housing**

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et du Logement**

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11-3981

TO THE LIEUTENANT GOVERNOR
OF THE PROVINCE OF ONTARIO

MAY IT PLEASE YOUR HONOUR:

For the information of Your Honour and the Legislative Assembly, I am
presenting the Annual Report of the Ontario Mortgage Corporation for the fiscal
year 2009/10.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "Rick Bartolucci".

Rick Bartolucci, MPP, Sudbury

Minister

**Ministry of
Municipal Affairs
and Housing**

**Ontario Mortgage
Corporation**

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Ontario

Ontario Mortgage Corporation

**Société d'hypothèques
de l'Ontario**

TO THE HONOURABLE RICK BARTOLUCCI

MINISTER OF MUNICIPAL AFFAIRS AND HOUSING

MINISTER:

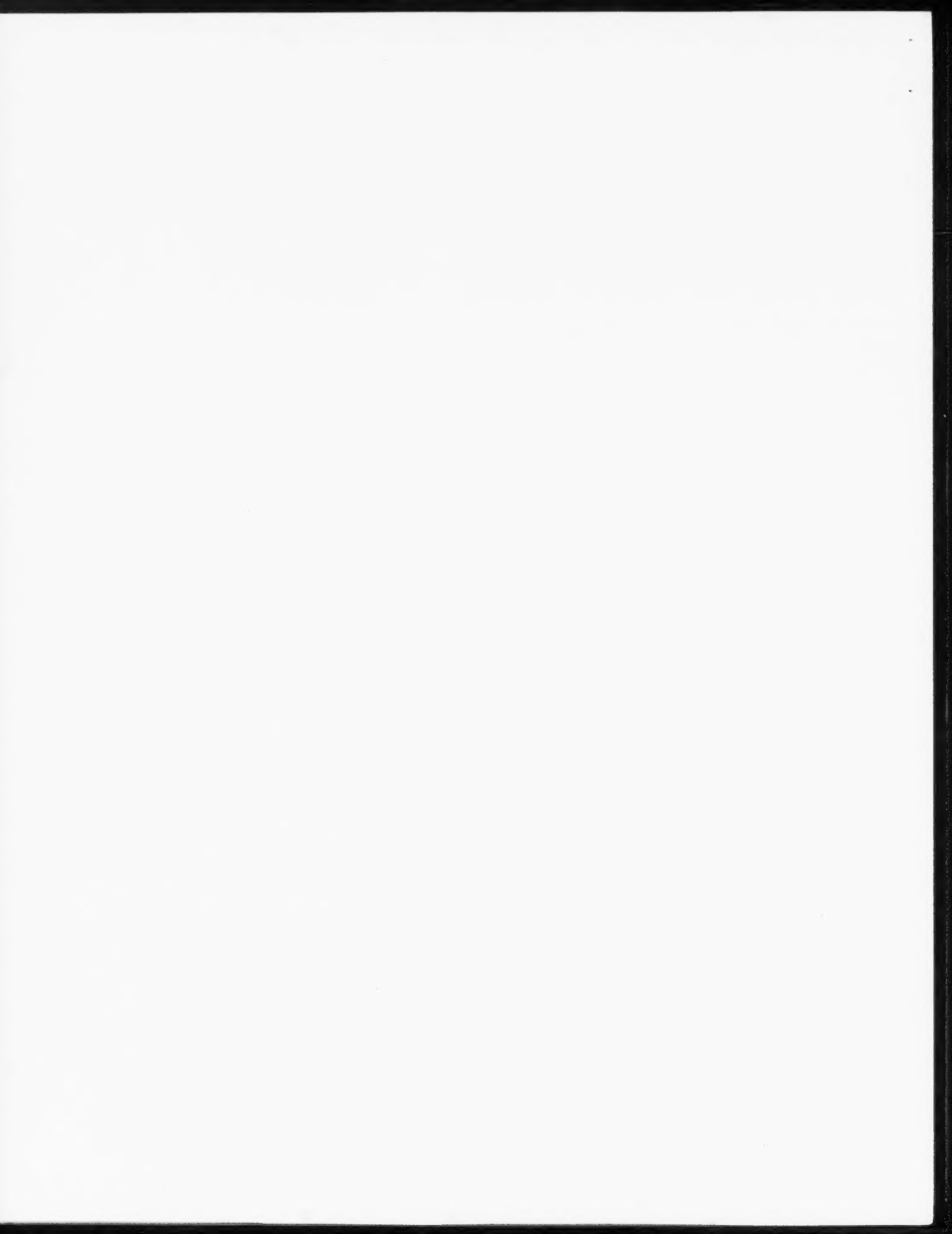
On behalf of the Corporation, and the Board of Directors appointed in September 2010, I am pleased to present a copy of the Ontario Mortgage Corporation's Annual Report, together with its audited financial statement, for the fiscal year 2009-2010.

Respectfully submitted,

Janet Hope

Chair

Ontario Mortgage Corporation



Message from the Chair

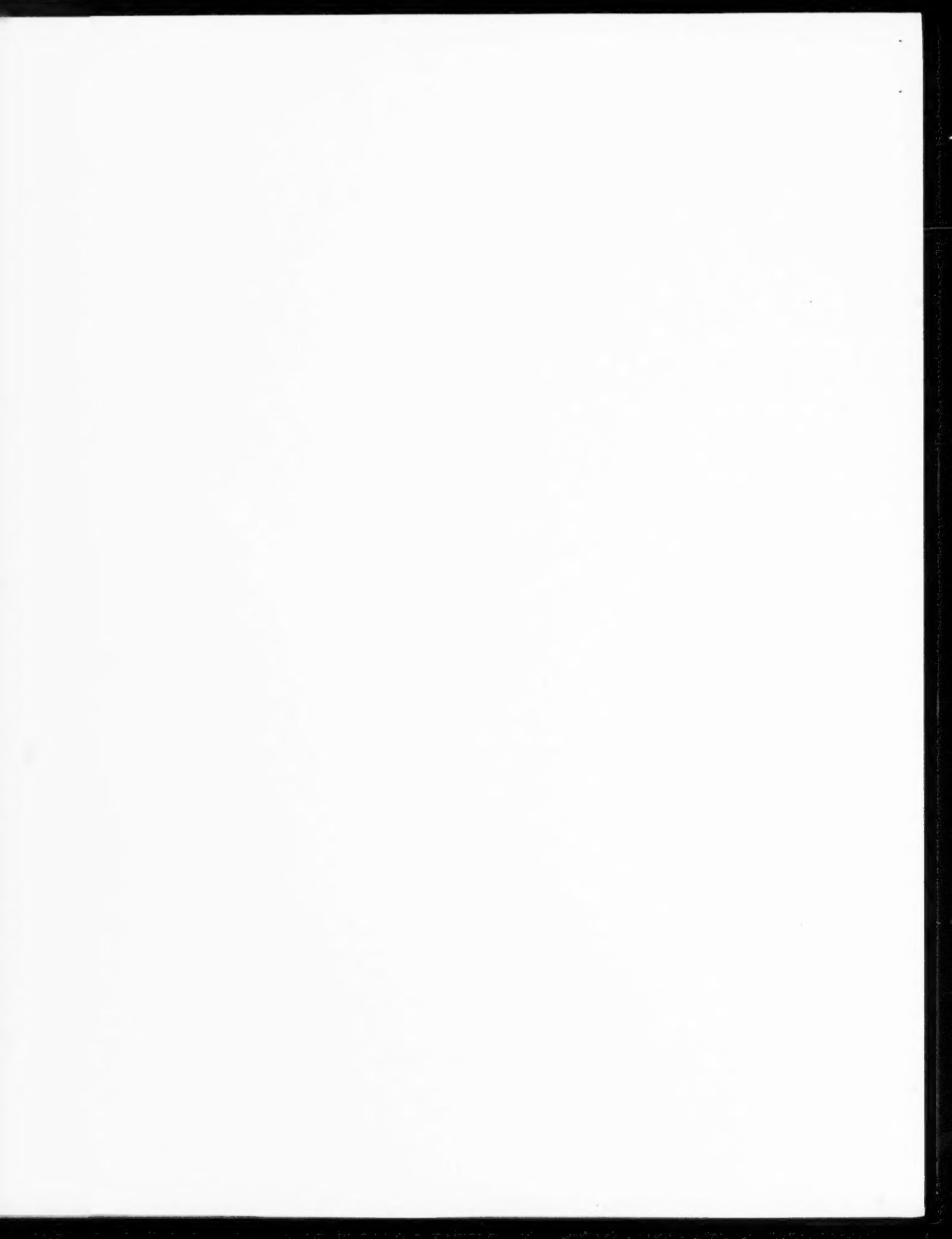
As the newly appointed Chair of the Board, I would like to recognize and thank the ministry staff who maintained the operations of the corporation for their contributions during the year covered by this Report.

The Ontario Mortgage Corporation's corporate business is declining as its mortgages are reaching maturity. Due diligence in managing this declining portfolio has been the primary focus of the Ontario Mortgage Corporation in the 2009-2010 year.

I look forward in the next fiscal year to working with the new Board and the staff serving the Corporation, to ensure the Ontario Mortgage Corporation meets the requirements of the Agency Establishment and Accountability Directive. The Ontario Mortgage Corporation will seek to ensure high standards of accountability, transparency, service delivery, and integrity as required by the Ontario Government and by our mandate as stewards of the Corporation.



Janet Hope
Chair
Ontario Mortgage Corporation



Annual Report of the Ontario Mortgage Corporation for 2009-2010

INTRODUCTION

The Ontario Mortgage Corporation is a classified Operational Enterprise agency of the Province of Ontario, established under the authority of the *Business Corporations Act* and reporting to the Minister of Municipal Affairs and Housing. It carries out certain specific duties relating to mortgages for which the Province of Ontario is responsible.

The Minister is the sole shareholder of the Ontario Mortgage Corporation, holding it in trust for the Province of Ontario and appointing the members of the Board of Directors.

As a result of asset sales mandated by the 1997 Government Task Force on Agencies, Boards and Commissions, the Ontario Mortgage Corporation is currently responsible for a small residual portfolio of mortgages, both marketable and un-marketable. The un-marketable mortgage portfolio matures in 2015, and its outstanding marketable mortgage loans mature by 2024.

The Ontario Mortgage Corporation maintains a bank account in its own name, and its finances do not form part of the books of the Province. It is self-funding and does not receive any transfer payments from MMAH: its direct operating expenditures are covered by revenues generated within the agency. Revenue not needed to cover operating expenses is transferred to the Province's Consolidated Revenue Fund.

THE BOARD OF DIRECTORS

The Ontario Mortgage Corporation's Board of Directors is appointed by and accountable to the Minister of Municipal Affairs and Housing. It ensures that the Corporation carries out its mandate effectively.

The Board may include six to nine directors. They and the Corporation are supported administratively by public servants drawn from the Ministry of Municipal Affairs and Housing.

For a variety of reasons, the terms of the former Board of Directors expired in 2008. Appointment of a new Board is anticipated in mid-2010.

MANDATE

The Ontario Mortgage Corporation's mandate is primarily financial in nature, arising from the Corporation's former role in direct delivery of government funded mortgages.

Mandate/Responsibility #1:

Manage and administer the Corporation's unmarketable loans mortgage portfolio of forgivable (non-payment) mortgage loans established under the Housing Incentive Program.

- Some of these interest free loans are for a term of 15 years. After 5 years, the principal balance outstanding is reduced by 10% per annum.
- Others of the interest free loans are for a term of 35 years. After the mortgage has reached the 11th year, the mortgage is reduced by 1/15th of the principal balance outstanding under the mortgage. In the event of default, under the program requirements, the principal balance outstanding is due and payable.
- Electronic discharges are now mandatory. All discharge and/or cessation of mortgages must be registered by the Corporation in the appropriate Land Registry Office.

Mandate/Responsibility #2:

Manage the Corporation's marketable and unmarketable mortgage portfolios and issue electronic discharge as applicable.

- Marketable loans are non-interest bearing and have a repayable term of 15 years. Some of these marketable non-interest bearing loans, while in their 11th year of the term, require monthly payments of principal until maturity.
- Some of these are marketable non-interest bearing 35 year term loans that require a full payment of principal upon maturity.

ACTIVITIES IN 2009-2010

1. Mortgage Administration

The Corporation's current portfolio is declining, as no direct mortgage loans have been provided since 1978, and no other new loans have been made since 1992. Hence the activities of the Corporation include managing the remaining portfolio, and issuing electronic discharges on current and prior mortgages registered in favour of the Corporation.

All correspondence and telephone inquiries on the mortgage portfolio are handled by the staff support team. They are also responsible for updating the mortgage database as required.

The Corporation continues to collect funds from mortgage discharges. Funds generated by the Corporation are deposited in the Consolidated Revenue Fund. While the amount varies from year to year, a downward trend is evident as the agency's business activities decline. As of March 31, 2010, the Corporation was responsible for:

- 18 mortgages under the Permanent Homes for the Homeless Program, maturing in 2015, valued at \$4.9 million;
- 4 mortgages under the Project 3600 Housing Program expiring with full-payment due on discharge in 2024, valued at \$4.3 million.
- 214 forgivable loans related to low-rise buildings, valued at \$2.83 million.

2. Board and Organizational Revitalization

A key priority for the Corporation in the 2009/10 period was to seek the appointment of a new Board and to confirm administrative support services as provided by the Ministry, which were in the final stages of reorganization as of the end of this reporting period. The Board's first meeting, and confirmation of the Ministry's support structure for the agency, is expected early in the 2010-2011 fiscal year.

3. Administrative Support Transition and Activities

Officers: The following employees of the Ministry were the Officers of the Corporation in 2009-2010:

- **Susan Gillespie**, General Manager
- **Mark Menard**, Treasurer
- **Irene Neill**, Secretary

The General Manager is responsible to manage the day-to-day operations of the agency.

The Corporate Secretary's duties include:

- attending Board meetings,
- recording Minutes of Board Meetings, and
- signing off on Minutes of the Board meetings.

The Treasurer is responsible for reviewing the financial affairs of the Corporation.

4. Compliance with the Agency Establishment and Accountability Directive

A major priority of the Agency has been to begin the process of ensuring that the Corporation is compliant with the new Agency Establishment and Accountability Directive issued by the Ministry of Government Services, which imposed new accountability and reporting requirements

on all agencies effective January 26, 2010. While awaiting appointment of a new Board, staff began the process of preparing a Business Plan for the years 2011-2014, including a risk assessment and performance measures; a revised Memorandum of Understanding; the external audit for 2009-2010; and this Annual Report.

NATURE OF OPERATIONS

To support the un-marketable mortgage portfolio, which matures in 2015, and other outstanding marketable mortgage loans which mature by 2024, the Ontario Mortgage Corporation's routine operational activities include:

- discharging mortgages electronically in Land Registry Offices, and ensuring that the Corporation is removed from title in relation to previously discharged mortgages that have not been registered;
- updating the Ontario Mortgage Corporation's mortgage database of outstanding mortgages by posting payments and reporting mortgage balances;
- reviewing and responding to correspondence from insurance companies on mortgages;
- preparing financial summaries of revenue received from accounts, and submitting summaries to the Ministry's Controllershship & Financial Planning Branch;
- issuing monthly payments to Teranet for electronic discharges of mortgages on behalf of the Corporation;
- administering mortgages subject to powers of sale, bankruptcies, city violations and tax sales;
- liaising with the Canada Mortgage and Housing Corporation on residual mortgages, leaseholds, and deferred mortgages, as shown on title;
- receiving monthly payments for the Corporation's share of Canada Mortgage and Housing Corporation-administered mortgage loans, and remitting them to the Consolidated Revenue Fund; and
- handling telephone inquiries for the Corporation on behalf of the Ministry.

PERFORMANCE DURING THE YEAR 2009-2010

1. Operational Performance

The Corporation was able to complete its operational duties during the course of the year as required by its mandate. Plans were completed within the Ministry to reorganize the units providing the Corporation with its administrative support, which will, among other benefits, rationalize and improve support to the agency.

2. Financial Performance

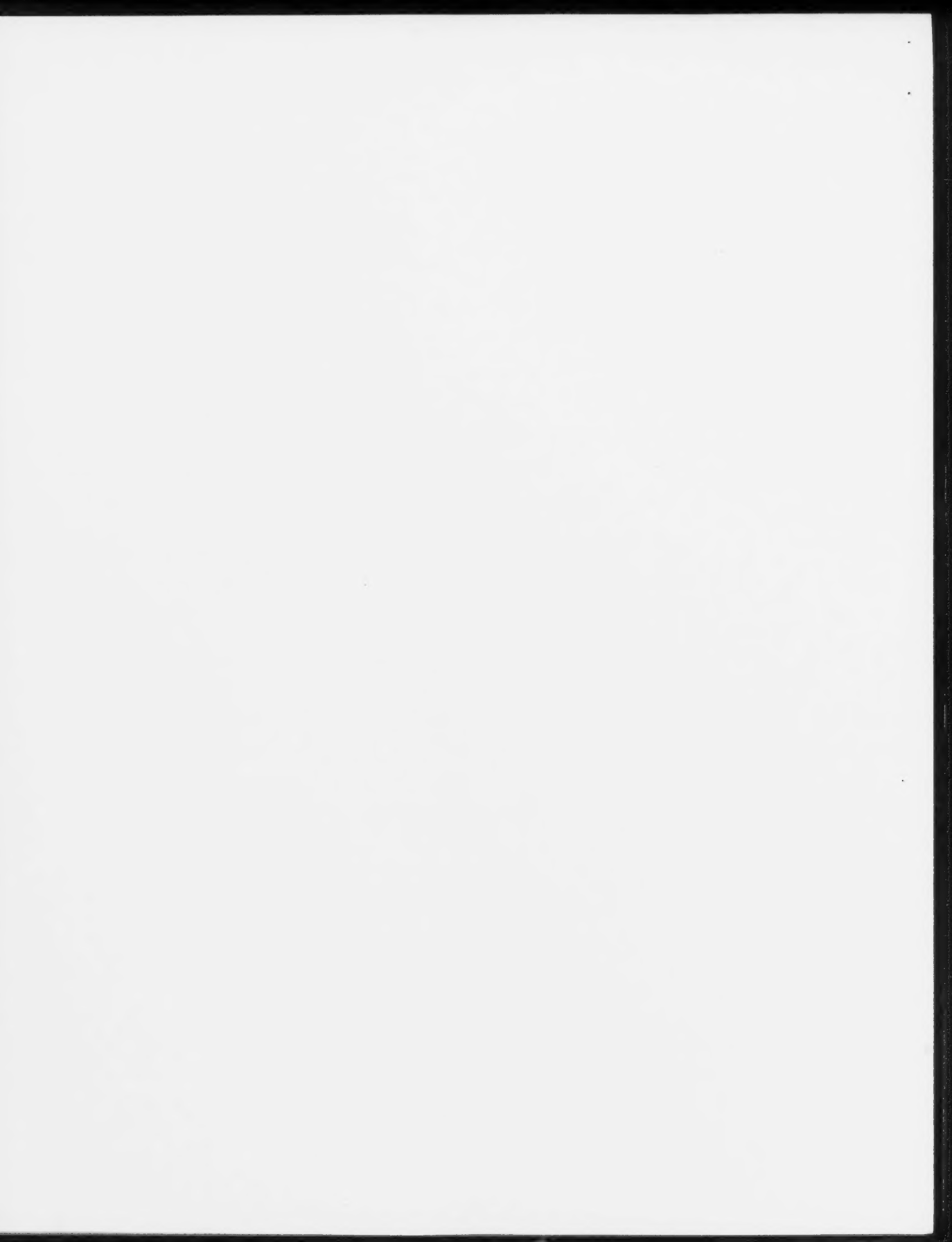
The Agency managed the mortgages for which it is responsible, including the resulting funds, as required by its mandate, the applicable provincial financial guidelines and policies, and the terms of the individual mortgage agreements. Due diligence in relation to mortgage administration and tracking was a priority and ensuring that the revenues due to the Corporation, and the Consolidated Revenue Fund in turn, were collected and managed appropriately.

An external audit has been undertaken in relation to the Corporation for the 2009-2010 period and the report, an unqualified Audit Report and audited financial statements for the Ontario Mortgage Corporation are attached to this report.

3. Future Performance Measures and Targets:

The Corporation has not yet prepared specific performance targets over and above its general commitments to good management and compliance with applicable rules of financial and administrative performance. As part of its business planning over the coming years, should the Corporation continue in its present form, the new Board would seek to develop performance measures relating to at least the following targets:

- meeting mortgage discharge obligations as they fall due;
- ensuring due diligence in relation to the active portfolio;
- providing timely response to inquiries;
- issuing timely payments for electronic discharges of mortgages; and,
- compliance with specified requirements of the Agency Establishment and Accountability Directive.



**ONTARIO MORTGAGE
CORPORATION**

FINANCIAL STATEMENTS

FOR THE YEAR ENDED MARCH 31, 2010

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Statement of Cash Flows	5
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WEILER & COMPANY

CHARTERED ACCOUNTANTS

Dennis J. Weiler, CA
Lori A. Halliday, CA
Michael J. Kerr, CA
Lisa A. Bursey, CA

Martha M. Zettle, CA, CPA, TEP
Dan J. Waterston, CA, CA-IT, CA-CISA
Paul M. Di Renzo, CA

AUDITORS' REPORT

To: The Shareholder of Ontario Mortgage Corporation

We have audited the balance sheet of Ontario Mortgage Corporation as at March 31, 2010 and the statements of operations and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2010 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Guelph, Ontario
January 25, 2011

Weiler & Company
Chartered Accountants
Licensed Public Accountants

ONTARIO MORTGAGE CORPORATION
BALANCE SHEET
AS AT MARCH 31, 2010

ASSETS

CURRENT

Cash	\$ 31,404
Due from Canada Mortgage and Housing Corporation	26,539
Due from Ministry of Finance	389
Sundry receivables	46
Prepaid expenses	<u>5,000</u>
	63,378

OTHER ASSETS

Mortgages receivable (note 2)	<u>6,698</u>
	<u>\$ 70,076</u>

LIABILITIES

CURRENT

Accounts payable and accrued liabilities	\$ 3,048
Due to Ministry of Municipal Affairs and Housing	<u>172,070</u>

Total Liabilities	<u>175,118</u>
--------------------------	----------------

SHAREHOLDER'S DEFICIT

CAPITAL STOCK

Authorized	
Unlimited common shares	
Issued	
10 common shares for	<u>10</u>

DEFICIT

As previously stated	(111,820)
Accounting adjustment (note 3)	<u>50,586</u>
As restated	(61,234)
Net income for the year	6,182
Dividend paid on common shares	<u>(50,000)</u>
Balance at end of the year	<u>(105,052)</u>

Total Shareholder's Deficit	<u>(105,042)</u>
	<u>\$ 70,076</u>

ONTARIO MORTGAGE CORPORATION
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2010

REVENUE

Discharge fees	\$ 13,325
Interest income	<u>2,571</u>
	<u>15,896</u>

EXPENSES

Discharge fees	7,262
Professional fees	1,144
Mortgage administration fees	884
Office	360
Bank charges and interest	<u>64</u>
	<u>9,714</u>

NET INCOME for the year	<u>\$ 6,182</u>
--------------------------------	------------------------

ONTARIO MORTGAGE CORPORATION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2010

CASH PROVIDED BY (USED IN)
OPERATING ACTIVITIES

Net income for the year	\$ 6,182
Changes in non-cash working capital items	
(Increase) in due from Ministry of Finance	(311)
Decrease (increase) in due to Canada Mortgage and Housing Corporation	2,649
(Increase) in sundry receivables	(36)
(Increase) in prepaid expenses	(5,000)
Decrease (increase) in mortgages receivable	24,130
Increase (decrease) in accounts payable and accrued liabilities	189
	<u>27,803</u>

FINANCING ACTIVITIES

Advances to Ministry of Municipal Affairs and Housing	(65,375)
Dividends paid	<u>(50,000)</u>
	<u>(115,375)</u>

NET DECREASE IN CASH

(87,572)

CASH, BEGINNING OF YEAR

118,976

CASH, END OF YEAR

\$ 31,404

**ONTARIO MORTGAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

NATURE OF BUSINESS

The Company was incorporated under the Corporations Act in 1948 and remained active until April 1, 1982, at which time its assets, liabilities and shareholder's equity were transferred to Ontario Land Corporation (OLC). OLC ceased active operations on March 31, 1987, at which time the Corporation was reactivated under the Ontario Business Corporations Act and certain assets and liabilities of OLC were transferred to it. All the outstanding shares of the Corporation are held in trust for the Crown in the Right of the Province of Ontario (the Province). Effective October 1, 1994, the outstanding shares together with all assets and liabilities of the Corporation were transferred from the Chair of Management Board of Cabinet to the Minister of Municipal Affairs and Housing (formerly the Minister of Housing). The Corporation returns funds to the Province in the form of dividends arising from current year's earnings and capital recoveries from mortgages and real estate.

In response to government policy, the Corporation sold the majority of its mortgage portfolio during the year ended March 31, 1988. Portions of the remaining portfolio may be sold in the future. The Corporation has entered into an agreement with the Canada Mortgage and Housing Corporation to administer the remaining mortgages.

The Corporation administers certain housing incentive programs and undertakes transactions on behalf of the Ministry of Municipal Affairs and Housing and its related agencies and Crown corporations. Where funds are deposited in the Corporation's bank account related to these transactions, the Corporation earns interest on the funds. Where mortgages are administered under these programs, administration fees are earned and shown as revenues of the Corporation. The Corporation also administers a portfolio of land leases and deferred mortgages for the Ministry of Municipal Affairs and Housing and a portfolio of second mortgages for the Ministry of Finance.

Salaries, benefits and other administrative expenses of the Corporation are absorbed by the Ministry of Municipal Affairs and Housing.

1. SIGNIFICANT ACCOUNTING POLICIES

The following summary of significant accounting policies is presented in order to assist the reader in interpreting these financial statements:

(a) REVENUE RECOGNITION

Revenue from the sale of real estate is recognized when title passes to the purchaser. All other revenue is recognized when received.

(b) MORTGAGES RECEIVABLE

Mortgages receivable are carried at the principal amount outstanding plus accrued interest, less mortgage allowance and provision for losses.

**ONTARIO MORTGAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

1. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(c) FINANCIAL INSTRUMENTS

In accordance with CICA standards, the entity's assets and liabilities are generally classified and measured as outlined below.

Cash and cash equivalents are classified as held for trading. They are accounted for at market value with the change in market value recognized in net income for the year, unless market value is not readily determinable.

Accounts receivable, amounts due from various Ministries and mortgages receivable are classified as loans and receivables. They are accounted for at amortized cost.

Accounts payable and accrued liabilities and amounts due to various Ministries are classified as other liabilities. They are accounted for at amortized cost.

(d) USE OF ESTIMATES

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the year. Actual results could differ from those estimates. Estimates are reviewed on a regular basis and, as adjustments become necessary, they are reported in income in the periods in which they become known. The assets and liabilities which require management to make significant estimates and assumptions in determining carrying values include accounts receivable, capital assets, goodwill and accounts payable and accrued liabilities.

2. MORTGAGES RECEIVABLE

Mortgages receivable include principal and accrued interest for 20 outstanding mortgages. Maturity dates and interest rates vary for these mortgages.

3. ACCOUNTING ADJUSTMENT

Due to a number of bookkeeping errors in prior periods, mortgages receivable was understated by \$50,586 in the Corporation's prior year financial statements and, accordingly, net earnings were also understated by \$50,586. This error has been corrected by restating the opening retained earnings of the current year's financial statements.

**ONTARIO MORTGAGE CORPORATION
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2010**

4. FINANCIAL RISK MANAGEMENT

The Corporation may be exposed to a variety of financial risks including credit risk, liquidity risk, and market risk (including interest rate risk, currency risk, and other price risk):

a) Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation that is entered into with the Corporation. It is management's opinion that the Corporation is not exposed to significant credit risk.

b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet a demand for cash or fund its obligations as they come due. It is management's opinion that the Corporation is not exposed to significant liquidity risk.

c) Market risk

Interest rate risk arises from the possibility that changes in interest rates will affect the fair value of financial instruments.

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign currencies.

Other price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices, other than those arising from interest rate risk or currency risk, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in a market.

It is management's opinion that the Corporation is not exposed to significant market risk.

5. CAPITAL DISCLOSURE

The Corporation manages its capital to ensure that it will be able to continue as a going concern while maximizing its ability to achieve the Corporation's mission through suitable debt and accumulated net assets appropriate for an entity of the Corporation's size and status. The Corporation is not subject to externally imposed capital requirements and the Corporation's strategy with respect to capital risk management is Management's review of cash flow needs on a regular basis.

6. COMPARATIVE FIGURES

The financial statements for the year ended March 31, 2009 were not audited and are therefore not presented.